

FISCAL NOTE

SB 18

FIRST EXTRAORDINARY SESSION

April 1, 1999

SUMMARY OF BILL: Exempts *exempt wholesale generators* or *FERC certified wholesale power marketers* from Gross Receipts Tax. *Exempt wholesale generators* refer to those companies that are exempt from the 1978 Public Utility Regulatory Policies Act. Such generators are designed to burn natural gas to turn turbines that produce electricity for use during peak season. *FERC certified wholesale power marketers* refers to those companies exempt under the Federal Power Act of 1992. Such companies serve as a wholesale marketer of electricity which allows local power companies to shop for the best prices on electricity and then use existing utility infrastructure to get the electricity from the supplier to the end consumer. Under existing law, a 3% Gross Receipts Tax is imposed on water and electric companies and 1.5% tax on gas companies with certain political subdivisions from government owned gas, water, and electric companies being exempt. There are presently no *exempt wholesale generators* located in Tennessee.

ESTIMATED FISCAL IMPACT:

Forgo State Revenues - Exceeds \$100,000

Based on information provided by the Department of Revenue, there is at least one *exempt wholesale generator* plant currently being constructed in Tennessee. Estimate assumes this plant once operational will generate and sell power that would be taxable under the Gross Receipts Tax. Estimate also assumes the amount of power sold would generate gross receipts taxes that exceed \$100,000.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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